

## SECTION- IV

### EXPORTER'S RETENTION QUOTA ( ERQ) ACCOUNT

**28. (a)** Merchandise exporters are entitled to a foreign exchange retention quota of 50% of repatriated FOB value of their exports. However, for exports of goods having high import content (low domestic value-added) like POL products including naphtha, furnace oil and bitumen, readymade garments made of imported fabrics, electronic goods etc. the retention quota is 10% of the repatriated FOB value.

Retention quota  
for merchandise  
exporters

**(b)** Retention quota account may also be opened and maintained in the names of deemed exporters for supplying inputs against inland back to back letter of credit denominated in foreign currency. Since foreign exchange earned from direct export is to be shared among direct and deemed exporters, ADs are obliged for the meticulous compliance of the followings:

Retention quota  
for deemed  
exporters

(i) the total amount credited to the direct exporter's retention quota account together with foreign exchange paid to the deemed exporter against supply of input must not exceed the net repatriated FOB export value of the direct exporter; and

(ii) the foreign exchange shall be credited to the retention quota account of the deemed exporter only after settlement of the amount against back-to-back LC for deemed export.

**(c)** Exporters of computer software and data entry/processing services may retain 50% of export earnings repatriated in foreign exchange in ERQ accounts.

Retention quota  
for export of  
software and data  
entry/processig  
services

**(d)** Service exporters other than those mentioned at para 'c' above may retain 5% of their repatriated earnings in ERQ accounts.

Retention quota  
for service  
exporters

However, foreign exchange earnings on account of indenting commission or agency commission for export from Bangladesh cannot be credited to such accounts since these incomes originate from Bangladesh sources.

Eligible  
currency and  
utilisation

**29.(i)** Foreign exchange out of the retention quota may be maintained in FC accounts with the concerned ADs in US Dollar, Pound Sterling, Euro or Japanese Yen upon realisation of the export proceeds. Balances in these accounts may be used by the exporters for bonafide business purposes, such as business visits abroad, participation in export fairs and seminars, establishment and maintenance of offices abroad, import of raw materials, machineries and spares etc. without prior approval of Bangladesh Bank. It should be noted that since exporters will use foreign exchange from the retention quota for business visits abroad, no separate business travel quota will be admissible (other than for new exporters as per para 7(i), chapter 12). Foreign exchange from the exporter's retention quota cannot be used for investment abroad by the exporter.

Term deposit  
and interest  
thereon

(ii) Foreign exchange out of exporter's retention quota may also be kept as interest bearing renewable term deposits with the concerned ADs in Bangladesh in US Dollar, Pound Sterling, Euro or Japanese Yen, with minimum balances of US\$ 2,000 or its equivalent. Periods of such term deposits may be determined in accordance with normal banking practices/normal banking considerations. Interest on such deposits may be allowed at rates comparable to the prevailing euro deposit rates for the relevant currency.

Advance  
payment  
against import  
using ERQ  
accounts

(iii) ADs may effect advance payment not exceeding USD 5,000 or its equivalent from the Exporters' Retention Quota Account against bonafide business purposes provided the relevant contract/proforma invoice stipulates for such payment subject to the following terms and conditions:

(a) The ADs shall have to be satisfied that repayment guarantee is not obtainable from the supplier against the remittance to be made in advance;

(b) Import Policy Order (IPO) in force shall have to be meticulously followed;

(c) The ADs shall, at their own responsibility, have to arrange for repatriation of the remittance made in advance in case the entry of goods into the country is not effected within the stipulated time;

(d) While opening Back to Back L/C, the ADs should adjust the value of advance payment to ensure that the value addition requirement as stipulated in the IPO is not breached ; and

(e) Before effecting the advance payment, the ADs must obtain Form of Undertaking (Appendix 5/10) duly signed by the importer.

International  
card

**30.** International cards may be issued to the exporters against balances held in ERQ accounts. The arrangements for issuance of international cards and use thereof by exporters are described in chapter-19.

**SECTION - V****FOREIGN CURRENCY ACCOUNTS FOR THE EPZ COMPANIES**

**31.** The following procedures shall apply to release of foreign exchange to the enterprises against exports made from the EPZs:

Disposal of  
proceeds

(i) 100% of repatriated export proceeds of a Type A industrial unit in EPZ may be retained in FC account in the name of the unit with an AD in Bangladesh. Balances in the FC account may freely be used to meet all foreign payment obligations including import payment obligations of the unit and payment obligations in foreign exchange to BEPZA. Balances from the FC account will also be freely encashable for local disbursements or for crediting Taka account maintained with an AD for meeting Taka payment obligations like wages, rents, rates, taxes etc. Taka account maintained with ADs by Type A units in EPZ may be credited only with encashments of funds from FC accounts or of other inward remittances from abroad. However, receipts from Taka sales of factory refuses and of unusable portion of raw materials of Type A industries may be credited to the Taka accounts provided the permission letter of BEPZA for the sale and evidence of payment of duties/taxes on sale proceeds are produced to the AD. Balances in these Taka accounts cannot be converted to foreign exchange and may only be used for meeting local expenses.

(ii) Upto 80% of the repatriated export proceeds of Type B and Type C units other than those in the garments sector may be retained in FC Accounts maintained in the names of the units with their ADs; for a Type B or Type C unit in the garments sector, upto 75% of the repatriated export proceeds may be credited to FC account maintained in the name of the unit with an AD. The remainder of the export proceeds should be encashed to taka at the prevailing exchange rate. All foreign payment obligations of Type B and Type C units including import payment and repayments of foreign loans may be met out of the balances in their FC accounts; payment obligations in foreign exchange of a type B unit to the BEPZA may also be settled from balances in its FC account. Balances in the FC accounts of the Type B and Type C units are freely encashable to Taka for local disbursements.